



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q4 2021



*This survey only reflects the opinions of respondents in Kharkiv oblast (top managers of companies) who were polled in Q4 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Kharkiv oblast in Q4 2021 showed that respondents expected the output of Ukrainian goods and services to increase and the performance of their companies to improve over the next 12 months. Respondents' expectations of inflation and depreciation remained high.

The top managers of companies said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 13.0%, compared to 12.8% in Q3 2021 (Figure 1). The balance of expectations across Ukraine was 8.3%. Respondents from agricultural companies had the most optimistic expectations, with a balance of responses of 60.0%. At the same time, respondents from the mining industry, and transport and communication companies expected that output would decrease ((-16.7%) and (-14.3%) respectively)
- **prices for consumer goods and services would continue to rise:** 67.4% of respondents expected the inflation rate to be higher than 7.5%, compared to 68.8% in the previous quarter and 61.3% across Ukraine. Respondents referred to production costs, the hryvnia exchange rate, and global prices as the main inflation drivers (Figure 2)
- **the domestic currency would continue to depreciate:** 68.1% of respondents (compared to 59.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 72.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 2.1%, compared to 6.3% in Q3 2021. At the same time, respondents from transport and communications companies and companies engaged in other economic activities had pessimistic expectations ((-14.3%) and (-16.7%) respectively). The figure across Ukraine was 9.7% (see Table)
- **total sales would grow:** the balance of responses was 22.9%, compared to 27.1% in Q3 2021. External sales were also expected to grow, but at a slower pace (the balance of responses was 31.3%, compared to 42.1% in Q3 2021) (see Table). Across Ukraine, the balances of responses were 21.8% and 20.6% respectively
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 2.2% and 8.5% respectively, compared to 4.7% and 13.0% in Q3 2021. Overall, across Ukraine, the balances of responses were 6.9% and 19.1% respectively (see Table)
- **staff numbers at their companies would decrease:** the balance of responses was (-12.5%), compared to 2.1% in Q3 2021 (Figure 4). Across Ukraine, staff numbers were expected to increase moderately (2.9%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 93.9% and 71.4% respectively (compared to 91.7% and 66.7% in Q3 2021). Respondents from trading and manufacturing companies had the highest expectations of a rise in selling prices (85.7% and 83.3% respectively) (Figure 6). Energy prices and raw material and supplies prices were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 55.3% and 47.9% respectively (compared to 59.6% and 58.3% in Q3 2021) (Figures 4 and 6).

Respondents referred to high prices for energy, raw materials and supplies as **the main drags on the ability of their companies to boost production** (Figure 5).

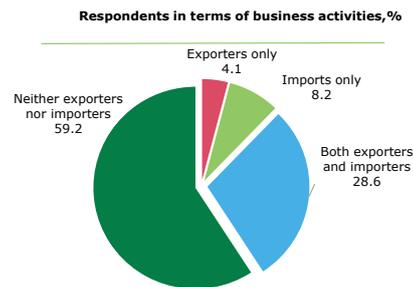
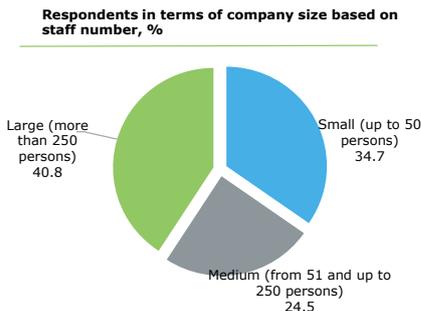
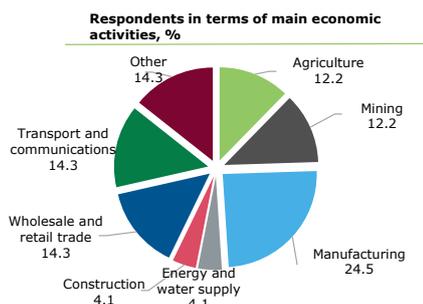
Respondents expected an increase in their borrowing needs in the near future (Figure 8). The vast majority of respondents (93.3%) who planned to take out bank loans opted for loans in the domestic currency. Respondents said that bank lending standards had remained unchanged (Figure 9). High loan rates, other funding sources and complicated paperwork were cited as the main factors deterring companies from taking out loans (Figure 10).

All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (98.1% across Ukraine).

Assessments of financial and economic standings as of the time of the survey (Figure 3)

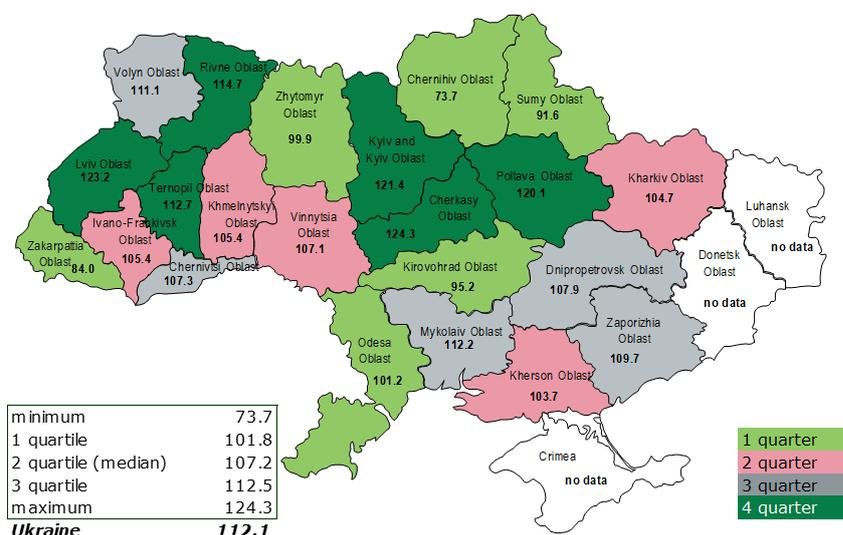
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-6.4%), compared to 8.3% in the previous quarter. Companies across Ukraine assessed their current financial and economic standings as good (7.6%).
- **Finished goods stocks were assessed at normal levels:** the balance of responses was 0.0%, compared to (-4.0%) in Q3 2021.
- **Companies in the oblast had sufficient spare production capacity to meet any unexpected rise in demand:** the balance of responses was 10.4%, compared to 17.0% in the previous quarter.

Survey Details^{1,2}



- Period: 3 November through 29 November 2021.
- A total of 49 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

²a median is the value of the BOI in the middle of an ordered sample where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Kharkiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Financial and economic standings	-4.0	-4.2	8.3	6.3	2.1
Total sales	11.8	4.1	20.4	27.1	22.9
Investment in construction	-9.8	-6.5	8.7	4.7	2.2
Investment in machinery, equipment, and tools	2.0	15.2	13.0	13.0	8.5
Staff numbers	-13.7	0.0	-14.9	2.1	-12.5

¹ This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

² Data for totals and components may be subject to rounding effects.

³ The business outlook index (BOI) is an aggregate indicator for expected business performance over the next 12 months. It is calculated using the balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

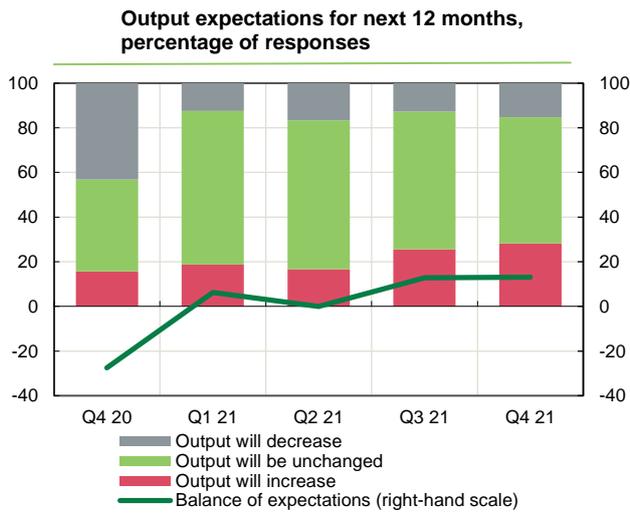


Figure 2

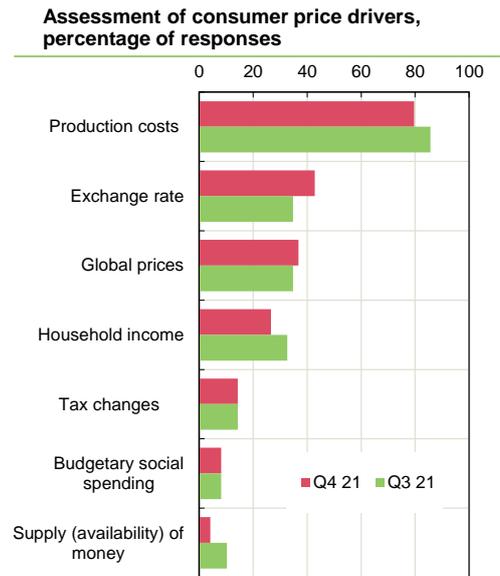


Figure 3

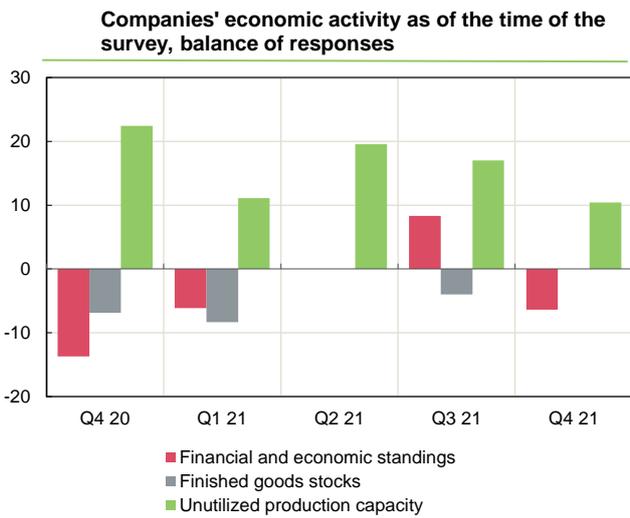


Figure 4



Figure 5

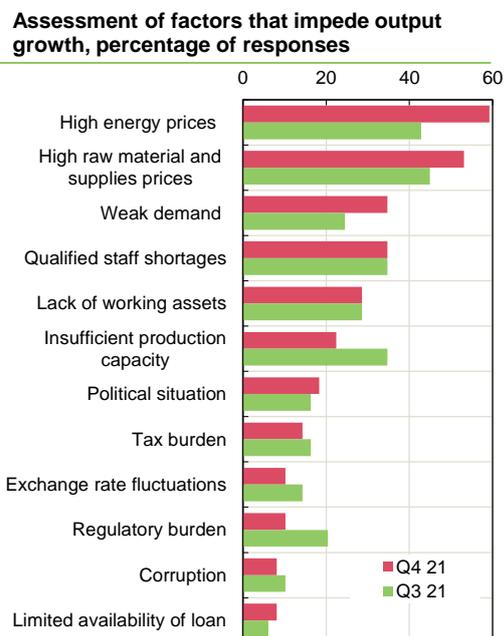


Figure 6

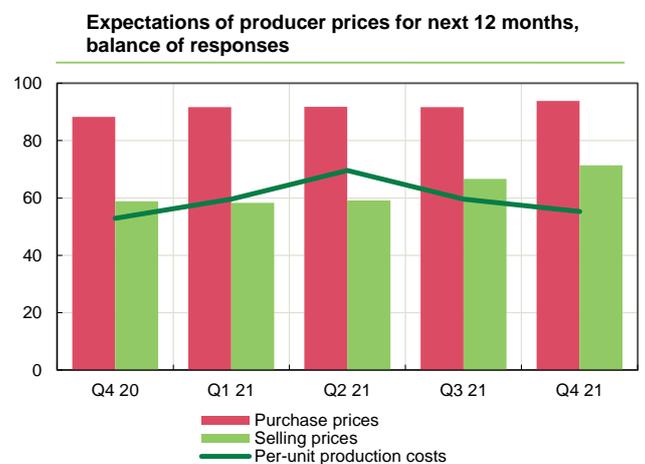


Figure 7

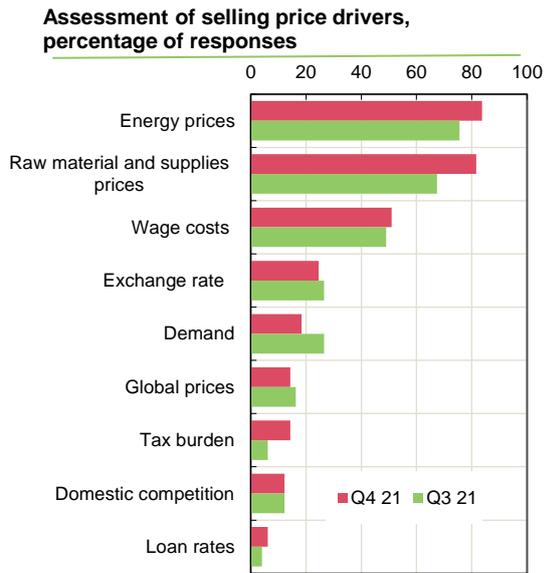


Figure 8

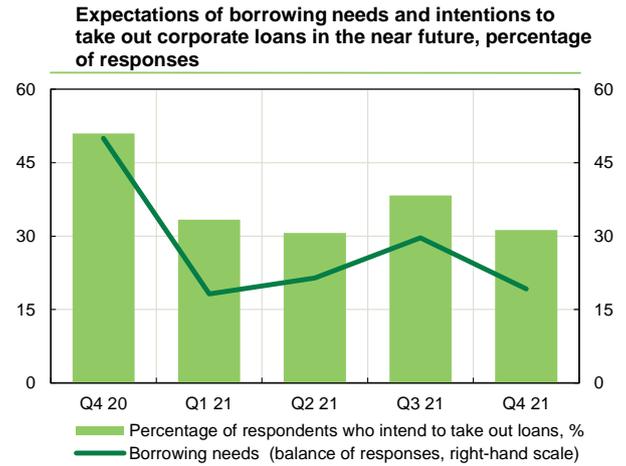


Figure 9

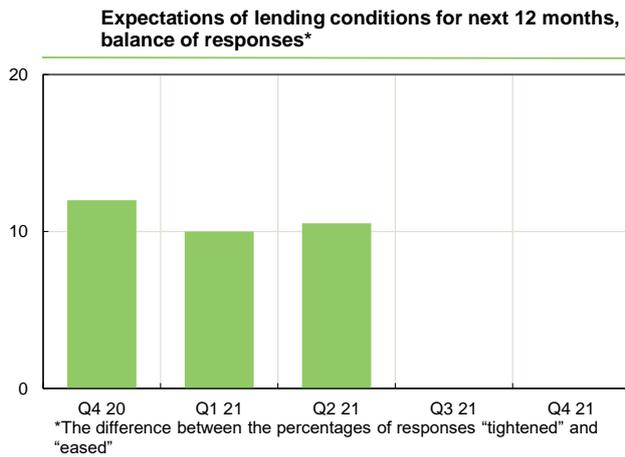


Figure 10

